

11 JUN 1976

DD/A Registry

File Accounting -3-3

MEMORANDUM FOR: Chief, Audit Staff

FROM : F. W. M. Janney
Director of Personnel

VIA : Deputy Director for Administration *per 6/12/76*

SUBJECT : Report of Audit of Government Employees
Health Association, Inc., 1 January 1974
to 31 December 1975

REFERENCE : Memo to D/Pers from C/Audit Staff dtd
5 May 1976, Subject: Reports of Audit

This memorandum responds to the recommendations contained in the referent Report of Audit. Our answers are in the same order as the recommendations.

1. "Establish procedures to accurately measure productivity"

While we are not ready to concede that our present methods of productivity measurement are inaccurate, we readily agree that there is room for improvement in our procedures for counting and classifying all claims workload. There are 11 Claims Assistant positions at this time and we have also had three part-time employees in this activity. These employees are carefully supervised and management is well aware of individual capabilities and production. We must, however, rely primarily upon the judgment of our supervisors rather than production statistics. It would be desirable to have well defined production figures to reinforce the evaluations of supervisors and to describe personnel needs, workload problems and accomplishments.

The audit comments focus on three aspects of the problem. First is the method of counting the number of claims to be processed. Our current procedure is to count and report the number of subscriber file folders on hand for processing. This does not give a complete indication of pending workload since files contain claims of varying complexity and there may be claims for more than one family member in the file that must be processed as separate items. In the past we have recognized this and qualified the figure when reporting to individuals unfamiliar with claims processing. We have also maintained production figures on claims examiners in terms of

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"audit sheets" rather than on claims. An audit sheet is made for each family member when processing is completed.

In order to improve the counting methods for our pending claims and to standardize our overall counting methods, we plan to initiate new procedures to count as a pending claim the submissions for each family member.

The second problem mentioned in the audit comments with regard to this recommendation was the lack of segregating claims as to degree of complexity. This comment refers to the fact that we do not count claims in terms of their complexity. In order to properly distribute the workload, claims are now separated into three categories: easy, difficult and overseas. The easy cases are given to trainees, the more difficult cases to fully trained personnel, and the overseas cases to selected individuals who have special training to handle currency conversions, etc. We will develop additional procedures to code and maintain records of claims using these categories.

The final problem mentioned under this recommendation has to do with determining the time required to process each type of claim. While broad categories of claims can be established, it will be exceedingly difficult to determine a time frame within which the average claim can be processed. There are so many variables to consider within each category and within each claim. At present we can only state that we will study the problem and attempt to develop workable procedures to lead toward a solution.

2. "Try to reduce the number of retiree accounts administered by GEHA"

We are working with [REDACTED] Cover and Commercial Staff, to determine if some of the retiree cover accounts can be transferred to the underwriter. A list of these "covert retirees" has been turned over to [REDACTED], CCS.

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3. "Include a statement of authorization to release medical information on all claim-submission forms used by GEHA"

The claim forms which do not contain a statement authorizing the release of medical information are being

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changed to include such a statement. New forms will be printed after necessary approvals are obtained.

4. "Restrict the access to GEHA employee insurance file folders"

GEHA employee insurance file folders have been segregated and placed under the physical control of the Deputy Chief of the Insurance Branch.

5. "Request the Compensation and Tax Division of the Office of Finance to send hospitalization plan premium payments directly to the Civil Service Commission"

We will hold discussions with Chief, [REDACTED] STATINTL [REDACTED] CCS, and with Chief, Compensation and Tax Division, OF to work out the necessary procedural changes to implement this recommendation.

(Signed) F. W. M. Janney

F. W. M. Janney

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STATINTL OP/BSD/[REDACTED] jp (7 Jun 76)

5 MAY 1976

MEMORANDUM FOR: Director of Personnel
SUBJECT : Reports of Audit

Audit Reports are attached for the following non-appropriated fund activities:

- (1) Government Employees Health Association, Inc., 31 December 1975.
- (2) Employee Activity Association, 31 December 1975.
- (3) Consolidated Charities, 26 January 1976.
- (4) Public Service Aid Society, 31 December 1975.
- (5) Educational Aid Fund, 31 December 1975.

Please advise the Chief, Audit Staff of action taken on recommendations contained in the reports.

We wish to express our appreciation again for the cooperation extended to the auditors during the audits.


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Chief, Audit Staff
Office of Inspector General

Attachments:
5 Audit Reports as stated

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REPORT OF AUDIT
Government Employees Health Association, Inc., (GEHA)

For the Period
1 January 1974 - 31 December 1975

GENERAL

GEHA is a tax-exempt corporation established to administer Agency employees' insurance plans. An elected Board of Directors prescribes GEHA operating policies. The Insurance Branch of the Benefits and Services Division of the Office of Personnel conducts the daily business. There are [REDACTED] for the various health, life and travel insurance plans. GEHA reimburses the Agency for [REDACTED] employees of the Insurance Branch.

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SCOPE OF AUDIT

We examined the Balance Sheet of GEHA as of 31 December 1975 and the related statements of Changes in Reserve Fund Balances and Changes in Financial Position for the two years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We also reviewed the claim-settlement process and a selection of settled claims.

OPINION ON FINANCIAL STATEMENTS

In our opinion, the GEHA financial statements present fairly its financial position at 31 December 1975, and the results of its operations and changes in fund balances for the two years then ended. The statements are in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding audit period. Financial details are shown in Exhibits A, B, and C attached.

SUMMARY COMMENTS AND RECOMMENDATIONS

GEHA continues to be well managed. Internal controls and procedures are generally satisfactory and the financial records are properly maintained. Prior audit recommendations have been resolved. Audit recommendations discussed in this report are summarized below. Minor matters were resolved during the audit.

#1. Establish procedures to accurately measure productivity.

#2. Try to reduce the number of retiree accounts administered by GEHA.

#3. Include a statement of authorization to release medical information on all claim-submission forms used by GEHA.

#4. Restrict the access to GEHA employee insurance file folders.

#5. Request the Compensation and Tax Division of the Office of Finance (C&TD/OF) to send hospitalization plan premium payments directly to the Civil Service Commission (CSC).

DETAIL COMMENTS

Productivity in Processing Hospitalization Claims

Current procedures for processing claims do not provide for an accurate measure of productivity. This is attributed to (a) the method of counting the number of claims to be processed, and (b) the lack of segregating claims as to degree of complexity.

At present the number of claims to be processed is being understated. The number is determined by counting the subscriber file folders on hand for processing. These folders contain at least one claim; but, especially at year end, many folders contain several claim-submissions in varying degrees of complexity for the subscriber and members of his family.

To attain a reasonable degree of measurability, an accurate count must be made. Each submission for an employee or dependent must be counted and segregated as to degree of complexity. The time required to process each type of claim (submission) also must be developed. This information can then be used to establish workload standards for evaluating performance.

Recommendation #1: Establish procedures to accurately measure productivity.

This recommendation will be difficult to accomplish but will provide more precise information than is presently available. The information should enable management to conduct a more efficient and effective claim-settlement process.

Disposition of Retiree Accounts

STATINTL When employees retire, GEHA continues to administer the accounts for those under cover. The accounts of overt retirees are normally turned over to the underwriter. GEHA is handling more than [REDACTED] retirees, many of whom retired in the early and mid-1960's. We feel that GEHA should request the Cover and Commercial Staff to determine if arrangements can be made to reduce the GEHA workload by transferring some of the retiree cover accounts to the underwriter.

Recommendation #2: Try to reduce the number of retiree accounts administered by GEHA.

Authorization to Release Medical Information

Several of GEHA's various hospitalization-claim forms do not contain a statement authorizing the release of medical information when needed by GEHA to process a claim. The forms lacking the authorization are AGE Form #3300, Subscribers Form #3231, and Major Medical Form #1823. We were unable to determine the reason for the omission, but without the authority to obtain needed information the claim-settlement process can be delayed.

Recommendation #3: Include a statement of authorization to release medical information on all claim-submission forms used by GEHA. (The underwriters claim-submission Form MG-620, Part A, contains a good example of the statement.)

Access to GEHA Employee Files

Claims of a GEHA employee are processed by someone else in the branch. However, all files are accessible to branch employees. For better internal control and the privacy of claims, the GEHA employee files should be placed under the physical control of the Chief of the Insurance Branch or his designee.

Recommendation #4: Restrict the access to GEHA employee insurance file folders.

Agency Hospitalization Plan
Premium Payments

Premium payments for the Agency's hospitalization plan are sent to GEHA from C&TD/OF rather than directly to the Civil Service Commission. A US Treasury check payable to GEHA is accompanied by a "Report of Withholdings and Contributions" (Standard Form 2812). GEHA deposits the Treasury check in its bank account and sends the CSC a GEHA check for the same amount with a sterilized version of the Form 2812. Ordinarily, Federal agencies (including our Agency except for this payment) send only one check and one Form 2812 directly to CSC for all insurance and annuity payments due them. The routine of this payment through GEHA began years ago for cover purposes. Since then GEHA has become known as representing the Agency's plan. To eliminate what appears to be a needless complication, we suggest that GEHA, with the concurrence of [REDACTED] CCS, make arrangements with C&TD/OF to include the premium payment in the regular check and on the regular Form 2812 sent to CSC.

Recommendation #5: Request the Compensation and Tax Division of the Office of Finance to send hospitalization plan premium payments directly to the Civil Service Commission.

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Per our conversation this date, attached is the report of audit, GEHA, for the period 1 January 1974 through 31 December 1975. Also attached is our response dated 11 June 1976.			
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FROM: NAME, ADDRESS AND PHONE NO.			DATE
Deputy Director of Personnel			1 Sept 76
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